



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 20, 2011

TO: Mayor and Councilmembers

FROM: Human Resources, Administrative Services Department

SUBJECT: Approval Of Benefit Plans Effective January 1, 2012

RECOMMENDATION: That Council:

- A. Approve renewal of the Aetna and Kaiser Permanente medical plans, Delta Dental Plans, Vision Service Plan, Employee Assistance Program (EAP), Flexible Spending Accounts, and Hartford Life and Disability Insurance Plans; and
- B. Authorize the Assistant City Administrator to execute any necessary agreements.

DISCUSSION:

Each year the City obtains renewal rates for the benefits plans covering its eligible active and retired employees. These benefit plans include medical, dental, vision, Employee Assistance Program, Health and Dependent Care Flexible Spending Accounts, life insurance, and disability insurance programs. Staff coordinated the renewal process with the City's benefits broker, Wells Fargo Insurance Services, Inc. The Employee Benefits Committee, which has a representative from each of the City's employee groups, reviewed the renewals. Staff and the Employee Benefits Committee recommend that the City renew its agreements with all current health, life and disability plan providers.

Medical Plans

The City currently has contracts with Aetna and Kaiser Permanente (available to Ventura County residents only) to provide medical coverage to its eligible active and retired employees. A Health Maintenance Organization (HMO) plan is offered by both carriers. In addition, Aetna offers three Preferred Provider Organization (PPO) plans: Aetna Open Access Managed Care Plan, Aetna Health Reimbursement Fund and Aetna Health Savings Account (an IRS qualifying high deductible PPO plan with a portable savings account funded through federal pre-tax employee payroll contributions).

Given the multi-year contract with Aetna, and in an effort to ensure the most cost effective plan management and premium rates, the City's benefits broker conducted a comprehensive medical marketing project on behalf of the City. Five medical carriers were sent requests for proposals with four carriers responding: Anthem Blue Cross, Blue Shield, CIGNA and United Healthcare. Health Net declined to quote. Medical carriers were provided the Aetna HMO and PPO plan designs, demographic information, five years of actual claims experience, and instructions to submit 2012 premium rate quotes based on the same current plan designs.

Anthem Blue Cross and Blue Shield submitted very competitive quotes. Aetna followed with a renewal offer for a premium rate pass for 2012, for greater City and employee premium savings over the competitive quotes. The current 2011 Aetna premium rates for the HMO and PPO plans are proposed to remain the same for 2012 for no additional City or employee premium costs. Additionally, Aetna's renewal offer includes a Wellness Program at no cost to the City or employees. Through this Wellness Program, employees will have tools and resources tailored to fit their individual needs so personal factors that affect health can be directly addressed. Giving employees accessible ways to stay healthy may help prevent potential issues later on for possible plan savings though reduction or avoidance in health care costs.

Over the course of the past several months, the Employee Benefits Committee met several times to review medical marketing material, carriers' proposals and quotes, and the proposed Aetna renewal offer. By consensus, the Employee Benefits Committee recommends approval of Aetna's 2012 renewal for no changes to plan rates or benefits for employees and retirees.

Kaiser HMO is recommended for continuing as a separate 2012 medical plan option available to employees residing in Ventura County. Kaiser's 2012 renewal includes a premium increase of 14.5% for the current plan of benefits. To lessen the premium cost impact to the City and employees, the Employee Benefits Committee reviewed various Kaiser benefit plan alternatives presented by the City's benefit broker. The benefit plan alternatives include higher member copayments on certain benefits with corresponding premium reduction. The Employee Benefits Committee recommends the benefit plan alternative that includes the following member copayment changes:

Kaiser Plan Benefit	Current 2011 Copayment	Proposed 2012 Copayment
Office Visit	\$10	\$15
Hospital Outpatient	\$10	\$15
Emergency Room	\$35	\$50
Ambulance	\$0	\$50
Durable Medical Equipment	\$0	20%
Prescription Drugs		
Pharmacy Generic	\$5 100-day supply	\$10 30-day supply
Pharmacy Brand	\$15 100-day supply	\$20 30-day supply
Mail Order Generic	\$5 100-day supply	\$20 100-day supply
Mail Order Brand	\$15 100-day supply	\$40 100-day supply

In implementing the proposed benefit plan alternative, the Kaiser renewal of 14.5% will be reduced to 9.3%.

Over-age-65 retirees have three medical plan options: Aetna Medicare PPO Plan, Aetna Open Access Managed Care PPO Plan and Kaiser HMO Senior Advantage Plan.

Medicare-eligible retirees enrolled in the Aetna Medicare PPO Plan have coverage availability nationwide through providers that accept Medicare assignment. The Plan provides coverage for all Medicare Parts A and B covered benefits plus additional benefits not coverage by Medicare, such as hearing aids, eyewear allowances and an open formulary prescription drug program. Premium rates are set by county area for retiree premiums charged based on the county of residency. There are 98 over-age-65 retirees enrolled in the Plan of which 88 reside in Santa Barbara County. Proposed Plan rates for the counties in which retirees are enrolled include rate changes ranging from -7.0% to +10.2%. Additional rates, by state and county, will be provided if needed.

The Aetna Open Access Managed Care PPO and Kaiser Senior HMO Advantage Plan enrollees have a supplemental level of coverage after Medicare benefits are paid. Final 2012 proposed rates for the Aetna Open Access Managed Care PPO is presented with no change from the current 2011 rates. The regionally rated Kaiser Senior HMO Advantage Plan is proposed at a 22% decrease from the current 2011 rates.

Dental Plans

The current dental plan offerings include the Delta Dental DPO plan (similar to a medical PPO model plan with a large provider network) and the Delta Dental DMO plans (similar to a medical HMO model plan with a small provider network). The 2012 Delta Dental DPO premium rates are proposed at an increase of 7%; the Delta Dental DMO premium rates are proposed at no change to the current 2011 rates.

Vision Plan

Vision Service Plan (VSP) has maintained premium rates for the last three consecutive years. The 2012 VSP premium rates are proposed at an increase of 3%.

Employee Assistance Program (EAP) – Employer Paid Fees

OptumHealth Behavioral Solutions provides outpatient psychological services for the City's EAP. The EAP fee has been maintained the same for several consecutive years. The 2012 EAP fee is proposed at an increase of 2.9%.

Flexible Spending Accounts (FSA) – Employer Paid Fees

The Health and Dependent Care Flexible Spending Accounts are administered by Conexis. The 2012 renewal for program administration is proposed at no fee change.

Life/AD&D and Long Term Disability Insurance Plans – Employer Paid Premium

Hartford Insurance Company administers the Life/AD&D and Long Term Disability Insurance Plans. The 2010 Hartford renewal included rate guarantees on these Plans for three years for no premium rate change through 2012.

Short Term Disability Insurance Plan – Employee Paid Premium

Hartford Insurance Company administers the voluntary employee paid Short Term Disability Insurance Plan offered to Management, Police and Supervisors. The 2010 Hartford renewal included rate guarantees on this Plan for three years for no premium rate change through 2012.

Summary

Staff and the Employee Benefits Committee recommend that the Aetna and Kaiser medical plans, Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans be renewed for 2012 at the proposed premium rates and fees.

Proposed 2012 monthly rates for Aetna HMO, Aetna Open Access Managed Care PPO Plan, Aetna Health Reimbursement PPO Plan, Aetna Health Savings Account PPO Plan and Kaiser HMO Plan for employees and retirees are listed in Attachment 1.

Proposed 2012 monthly rates for the Aetna Medicare PPO Plan for retirees over-age-65 are listed in Attachment 2 and are based on the counties where retirees resides.

Proposed 2012 monthly rates for Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans are listed in Attachment 3.

BUDGET/FINANCIAL INFORMATION:

No additional appropriations are needed. Established City contribution amounts and employee pre-tax payroll deductions will fund the Plan (calendar) Year 2012 estimated overall benefit premium increase of \$152,100, or \$76,050 for FY 2011-2012 (January through June 2012).

- ATTACHMENTS:**
1. 2012 Medical Plans Monthly Premium Rates
 2. 2012 Aetna Medicare PPO Plan Monthly Premium Rates
 3. 2012 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Life and Disability Insurance Plan Monthly Premium Rates

PREPARED BY: Clare Turner, Benefits Analyst

SUBMITTED BY: Marcelo López, Administrative Services Director

APPROVED BY: City Administrator's Office

2012 Medical Plans Monthly Premium Rates

MEDICAL PLAN	CURRENT 2011	PROPOSED 2012
HMO – Aetna		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 556.86	\$ 556.86
Employee and One Dependent	\$ 1,101.74	\$ 1,101.74
Employee and Family	\$ 1,428.68	\$ 1,428.68
HMO – Kaiser Permanente		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 452.48	\$ 493.91
Employee and One Dependent	\$ 892.97	\$ 975.82
Employee and Family	\$ 1,157.25	\$ 1,264.97
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 234.01	\$ 182.59
Retiree and One Dependent	\$ 456.02	\$ 353.18
PPO – Aetna Open Access Managed Care		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 690.39	\$ 690.39
Employee and One Dependent	\$ 1,394.15	\$ 1,394.15
Employee and Family	\$ 1,816.38	\$ 1,816.38
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 606.86	\$ 606.86
Retiree and One Dependent	\$ 1,197.01	\$ 1,197.01
PPO – Aetna Health Reimbursement Arrangement		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 450.37	\$ 450.37
Employee and One Dependent	\$ 888.73	\$ 888.73
Employee and Family	\$ 1,151.75	\$ 1,151.75
PPO – Aetna Health Savings Account		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 385.92	\$ 385.92
Employee and One Dependent	\$ 759.86	\$ 759.86
Employee and Family	\$ 984.20	\$ 984.20

2012 Aetna Medicare PPO Plan Monthly Premium Rates

State	County	CURRENT 2011	PROPOSED 2012
Arizona	Cochise, Greenlee, Pima, Yavapai,	\$ 359.70	\$ 371.90
California	Santa Barbara	\$ 257.70	\$ 284.10
	Kern, Riverside, San Luis Obispo, Ventura	\$ 390.90	\$ 407.30
	Fresno, Sacramento	\$ 257.70	\$ 257.10
Nevada	Clark	\$ 390.90	\$ 440.45
Oregon	Crook, Deschutes, Lake, Lincoln, Wasco	\$ 392.30	\$ 407.30
Texas	Austin, Harris, Jasper, Jefferson, Liberty, Orange, San Jacinto	\$ 257.70	\$ 257.10
	Denton, Erath, Hood, Navarro, Tarrant, Van Zandt, Wise	\$ 305.00	\$ 284.10
Washington	Clallam, King, Pierce, Snohomish, Walla Walla	\$ 276.50	\$ 257.10

All Counties are included where City Retirees reside.

**2012 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts,
Disability and Life Insurance Plans Monthly Premium Rates**

PLAN	CURRENT 2011	PROPOSED 2012
Delta Dental		
<u>Delta Dental DPO Plan</u>		
Employee Only	\$ 52.99	\$ 56.70
Employee and One Dependent	\$ 93.79	\$ 100.36
Employee and Family	\$ 150.34	\$ 160.86
<u>Delta Dental HMO Plan</u>		
Employee Only	\$ 16.39	\$ 16.39
Employee and One Dependent	\$ 29.32	\$ 29.32
Employee and Family	\$ 43.38	\$ 43.38
Vision Service Plan		
Employee Only	\$ 6.73	\$ 6.93
Employee and One Dependent	\$ 13.36	\$ 13.76
Employee and Family	\$ 20.49	\$ 21.10
Employee Assistance Program (City Paid)		
Employee and Family	\$ 1.73	\$ 1.78
Flexible Spending Accounts Administration Costs (City Paid)		
Health Care Account/Participant/Month	\$ 4.61	\$ 4.61
Dependent Care Account/Participant/Month	\$ 4.61	\$ 4.61
Electronic Payment Card/Participant/Month	\$ 1.56	\$ 1.56
Grace Period Processing/Participant/Month	\$ 3.00	\$ 3.00
Long Term Disability Insurance – Hartford (City Paid)		
All Employees except Police and Fire	\$0.50/\$100	\$0.50/\$100
Short Term Disability Insurance – Hartford (Voluntary Employee Paid)		
Managers	\$ 22.02	\$ 22.02
Supervisors	\$ 19.82	\$ 19.82
Police	\$ 15.14	\$ 15.14
Basic Life AD&D Insurance – Hartford (City Paid)		
All Employees	\$0.125/\$1,000	\$0.125/\$1,000
Supplemental Employee, Spouse & Child Life Insurance – Hartford (Voluntary Employee Paid)		
<u>Voluntary Employee and Spouse Life Insurance</u>	Rates/\$10,000	Rates/\$10,000
Up to and including age 29	\$ 0.68	\$ 0.68
Age 30-34	\$ 0.86	\$ 0.86
Age 35-39	\$ 1.24	\$ 1.24
Age 40-44	\$ 1.90	\$ 1.90
Age 45-49	\$ 3.14	\$ 3.14
Age 50-54	\$ 5.24	\$ 5.24
Age 55-59	\$ 8.46	\$ 8.46
Age 60-64	\$ 11.12	\$ 11.12
Age 65-69	\$ 17.48	\$ 17.48
Age 70-74	\$ 30.88	\$ 30.88
Age 75 and older	\$ 51.50	\$ 51.50
<u>Voluntary Child Life Insurance</u>		
\$2,000	\$ 0.33	\$ 0.33
\$5,000	\$ 0.55	\$ 0.55
\$10,000	\$ 0.89	\$ 0.89